

**MANAGEMENT RESPONSE ON THE PROJECT PERFORMANCE EVALUATION
REPORT ON THE CAPITAL MARKET DEVELOPMENT PROGRAM
(Loan 1576-PAK and Loan 1577-PAK[SF])**

On 2 December 2005, the Director General, Operations Evaluation Department, received the following response from the Managing Director General on behalf of Management:

1. We concur with the overall successful rating of the Capital Market Development Program (CMDP). We note that the CMDP made a significant contribution to the development of the capital market in Pakistan.
2. However, we do not agree with the assessment that the corporate debt market component (para. 30) was only partly successful. In our opinion, the corporate debt market development should be assessed from a longer term perspective. As the PPAR notes, since the CMDP was implemented, the systems and procedures for trading, clearing and settlement of corporate debt have been developed. Backed by such a development in market systems, corporate debts have now become more attractive than commercial borrowing, especially with the recent increase in lending rates of commercial banks.
3. On the lessons identified, we agree with the importance of the ownership of reforms by key stakeholders and will keep sustained policy dialogue. The need to coordinate the implementation of programs/projects and technical assistance to facilitate compliance with policy actions is noted.